



STATE OF MICHIGAN  
DEPARTMENT OF INFORMATION TECHNOLOGY  
LANSING



JENNIFER M. GRANHOLM  
GOVERNOR

February 25, 2008

The Honorable Bill Hardiman  
State Senator  
P.O. Box 30036  
Lansing, Michigan 48909-7536

Dear Senator Hardiman:

As requested, here are the Departments of Information Technology, Management and Budget, Community Health and Humans Services responses to the Auditor General's letter regarding the Bridges project. We have also included responses to the five issues/questions raised during the February 12, 2008 Joint Senate Committee of the Senate Appropriations Subcommittee on DHS and the Standing Committee on Families and Human Services.

If you have any questions or need any additional information, please do not hesitate to contact us.

Sincerely,

David L. Newman  
Legislative Liaison  
MDIT

Ron Hicks  
Legislative Liaison  
DHS

Bob Burns  
Legislative Liaison  
DMB

Area	Letter Language	Response
Background Information	<p>The Department of Human Services (DHS), Department of Community Health (DCH), and Department of Information Technology (DIT) are developing a new social services system called Bridges Integrated Automated Eligibility Determination System. Bridges will replace several existing systems that process intake, registration, eligibility determination, and issuance of financial assistance, medical assistance, food assistance, and child care assistance. The Departments' primary goal for Bridges is to reduce caseworker workload to maximize worker effectiveness and efficiency. Additional goals of Bridges are to improve service delivery to clients of assistance programs and to effectively manage program costs.</p>	N/A
	<p>DHS plans to develop and implement Bridges in three releases:</p> <ul style="list-style-type: none"> <li>• Release 1 will provide worker relief and increased efficiencies. This release will replace three legacy systems (ASSIST, LOA2, and CIMS). Release 1 will provide functionality to register clients for programs, determine program eligibility, determine benefit amounts, and provide ongoing case management.</li> <li>• Release 2 will reduce operational expenses. This release will replace all remaining assistance program systems (including the payment systems) residing on mainframe computers.</li> <li>• Release 3 will provide client self service, such as the submission of applications over the Internet, and improve caseworker production. This release will also provide referrals for additional assistance programs not included in Release 1 and 2 such as Special Supplemental Food Program for Women, Infants, and Children (WIC).</li> </ul>	N/A
	<p>DHS and DIT contracted with 7 consultants from May 2004 through July 2005 to function as the Bridges Program Management Office (PMO) along with Executive Leadership Team (consisting of 3 executives, one each from DHS, DCH, and DIT) and some DHS, DCH, and DIT staff. The role of the PMO is to direct the day-to-day activities of the Bridges project and to coordinate development and implementation activities to ensure successful implementation of Bridges. Currently, the PMO consists of 6 consultants. The PMO is primarily managed by 1 of the 6 consultants, in conjunction with the Executive Leadership Team. The total contract amount, including purchase orders, for the PMO consultants from May 2004 through November 2008 is</p>	N/A

	\$5.8 million.	
	In October 2005, DHS, DCH, and DIT contracted with Electronic Data Systems (EDS) to run the Bridges project control office. The Bridges project control office develops, monitors, and manages the project schedule and scope for the development and implementation of deliverables. The total contract amount for EDS from October 2005 through October 2009 is \$22.0 million.	NA
	During 2005, DHS, DCH, and DIT requested vendor proposals and bids for the development and implementation of Bridges. They received proposals and bids from 5 vendors and conducted site visits in 4 states to review the systems proposed by 4 of the vendors. DIT informed us that 2 vendors bid the same base system; therefore, state visits were conducted in only 4 of the 5 states.	NA
	In February 2006, DHS, DCH, and DIT contracted with Deloitte Consulting LLP for the development and implementation of Bridges. The total contract amount for Deloitte Consulting from February 2006 through February 2010 is \$70.0 million. Deloitte Consulting is developing Bridges based on a system it developed for the State of Texas called the Texas Integrated Eligibility Determination System (TIERS). DHS has stated that Bridges is based on a proven system, however, TIERS has not been fully implemented in Texas. The system has been in pilot in two Texas counties for 4 years. In April 2007, the Texas Health and Human Services Commission, Office of Inspector General, issued a report that identified functional problems with the system during the pilot. Some of the problems were related and other problems stemmed from a reorganization of the Texas Department of Human Services, a call center add-on to the system, and outsourcing of personnel to a private company. Furthermore, in October 2007, the Texas State Auditor's Office issued an audit report on TIERS. The audit cited architectural design and development methodology problems with TIERS. We did not conduct fieldwork to determine what, if any, impact these problems will have on Bridges.	<p>We followed a one year extensive planning process that included:</p> <ul style="list-style-type: none"> <li>- A request for information (RFI)</li> <li>- Vendor interviews and demo</li> <li>- State interviews</li> <li>- Site visits of four states</li> <li>- Contract award via competitive bid process</li> <li>- Obtained Federal approval</li> </ul> <p>TIERS was implemented in two pilot counties</p> <p>Michigan DHS cases workers and technical staff spent one day observing their Texas counterparts use the TIERS system</p> <p>Texas subsequently passed House Bill 2292 which created change in their Department of Human Services operational model going from as case worker centric to call center centric model</p> <p>After three year trail, Texas reverted to case worker model and is aggressively pursuing a state-wide implementation</p> <p>Bridges is automated eligibility determination and does not include a call center technology</p> <p>The base TIERS system have been successfully</p>

		implemented in a number of different States
	<p>The original implementation schedule for Bridges included a pilot for Release 1 in Barry, Eaton, and Calhoun counties in June 2007 with Statewide implementation in January 2008. However, in July 2006 DHS expanded the scope of Release 1 to include some Release 2 requirements, delaying the implementation schedule. In addition, DHS and DIT informed us that, during spring 2007, State and federal legislative changes impacting the existing legacy systems further delayed the implementation schedule. As of August 2007, the implementation schedule indicated a plan to pilot Release 1 in November 2007 with Statewide implementation in March 2008. Full implementation of all releases of Bridges is scheduled for October 2009.</p>	<p>This is a very large system implementation process. Nationally, these systems typically take 48 months. We are in month 24.</p> <p>We agree with the feds and the OAG in the fact the schedule is overly aggressive. It was overly aggressive for the following reasons:</p> <ol style="list-style-type: none"> <li>1. Caseworker relief of DHS staff.</li> <li>2. Programmatic penalties due to unacceptable error rates in programs such as FAP</li> <li>3. Support and costs of Legacy systems.</li> </ol> <p>Have experienced delays for the following reasons:</p> <ol style="list-style-type: none"> <li>1. We had to stabilize legacy systems to ensure payments to DHS customers</li> <li>2. Unanticipated/unplanned state and federal legislative mandates, i.e., family self service programs (JET) and 2007 budget reduction act.</li> <li>3. Resource constraints</li> <li>4. To reduce risk to the legacy payment systems strategy was changed to expand the scope of Release 1.</li> </ol> <p>We are targeting a window between June and August to deploy the pilot in Barry-Eaton Counties and Calhoun County Offices. However, conditions to meet dates:</p> <ol style="list-style-type: none"> <li>1. No new legislative mandates that impact legacy or the Bridges Pilot.</li> <li>2. No new DHS, DCH, DLEG policies that affect the application.</li> <li>3. Agency and other partners hit their targets</li> <li>4. Other "Go-Live" criteria is met</li> <li>5. Additional monetary resources may be</li> </ol>

		needed. We are evaluating the needs and we will report back within a month. Looking at changes that may be needed for pilot and subsequent waves.
	Bridges will include approximately 2,000 decision tables and 400 screens.	N/A
	As of July 2007, expenditures for the development of Bridges were \$30.0 million. DHS informed us that total project costs for the development and implementation are estimated at \$140 million for fiscal years 2004-05 through 2009-10.	N/A
<b>Project Oversight and Mngmt Practices</b>	The Executive Leadership Team, consisting of an executive from DHS, DIT, and DCH, sponsors the Bridges project and has authority for the project, including approval of project strategies, resource utilization, budget decisions, and vendor deliverables. The Executive Leadership Team created the PMO to direct the day-to-day activities of the Bridges project and to coordinate development and implementation activities to ensure successful implementation of Bridges. Currently, the PMO consists of 6 consultants (initially 7 consultants); the Executive Leadership Team; and staff from DHS, DCH, and DIT. These 6 consultants serve as program and project managers, business process specialists, and system architects.	N/A
	In our review of the project oversight and management practices, we noted areas that, in our opinion, lacked sufficient controls, which could impede the successful completion of the project. During our preliminary review, we made the following observations:	N/A
	<ul style="list-style-type: none"> <li>DHS and DIT have not defined the detailed roles, responsibilities, and authorities of the PMO. This may impede DHS and DIT's efforts to provide effective oversight to help ensure the successful development and implementation of Bridges and may impact DHS and DIT's ability to assess the effectiveness of the consultant's performance and hold the consultants accountable for their work.</li> </ul> <p>In our discussions with the consultants, we were informed that the detailed roles, responsibilities, and authorities were defined in the statements of work within the consultant's contracts. However, our review of 11 statements of work for the 7 consultants disclosed that consultant contract terms did not include enough detail to clearly identify the roles and responsibilities to be performed throughout the Bridges project. Also, DHS and DIT used general terms such as</p>	<p>Based on their broad experience in large information technology implementation projects, we ask these consultants to play a variety of roles on a regular basis.</p> <p>However we agree the roles and responsibilities could have been better defined in the Statement of Work.</p> <p>We have taken pro-active steps, and are currently working to address these issues.</p>

	<p>"provide assistance", to describe the tasks or deliverables for 10 of the 11 contracts. The general terms used did not clearly define the work the consultants were required to perform independently. The 7 consultant contracts, including purchase orders, totaled \$5.8 million.</p>	
	<ul style="list-style-type: none"> <li>Contract periods for the current 6 PMO positions do not cover the full time period for the development and implementation of Bridges. Therefore, the contract costs for these consultants will likely increase as contracts are extended. Release 3 is scheduled for implementation in 2009; however, the 6 consultant contracts expire in 2008. After our preliminary review, DHS and DIT informed us that budget planning included contract extensions and they do not believe estimated budgeted costs for the Bridges project will increase.</li> </ul>	<p>Funds were budgeted for these services through 2010 as approved by the feds.</p> <p>The state competitively bid these as time and material contracts to give us the greatest amount of flexibility.</p> <p>Two of these contracts have already completed their tasks leading to contract termination. The remaining contracts will expire this year and will not be extended.</p>
<p><b>Project Goals and Objectives</b></p>	<p>DHS and DIT defined 3 goals and 8 objectives for Bridges. Goals are high-level statements that identify realistic and attainable outcomes to be achieved by a project. Objectives are strategies and activities that will lead to the achievement of a goal. Clearly defined objectives should be specific, measurable, and time oriented. Performance measurement methodology and criteria identify how and what will be assessed to determine if goals and objectives have been met. During our preliminary review, we noted the following observation:</p> <ul style="list-style-type: none"> <li>DHS and DIT did not clearly define the project goals and objectives. In addition, DHS and DIT did not define performance measurement methodology and criteria needed to evaluate their success or failure at meeting the project goals and objectives. Without well-defined goals and objectives a project may lack clear purpose and may fail to meet business and user needs and expectations.</li> </ul> <p>For example, DHS and DIT defined the primary goal of Bridges as "reduce workload to maximize worker effectiveness and efficiencies" and the associated objective as "improve caseworker ability to serve the client". However, DHS and DIT did not define to what extent it will reduce workload nor define steps needed to accomplish a reduced workload. Without defining what is meant by these goals and objectives, users will have different expectations of the benefits of Bridges.</p>	<p>The Cost Benefit Analysis (CBA) as submitted and approved by the federal government contains very specific, quantifiable results (i.e., benefits) to be obtained.</p> <p>They address four areas:</p> <ul style="list-style-type: none"> <li>Increased worker productivity</li> <li>Modification and routine maintenance will be much more cost effective and timely</li> <li>Decreased financial penalties for error rates (i.e., misissuance).</li> <li>Eliminates high cost error prone manual activity and calculations</li> </ul> <p>In addition the current systems used to determine eligibility are over 25 years old and using unsupported technology. It is critical that the business functions processed by these computer applications are migrated to a system that will be sustainable for the next 10 years</p> <p>See attachment for further detail.</p>

Quality Assurance	<p>Quality assurance is an independent and impartial review of the quality of work being done on a project. A quality assurance plan outlines roles and responsibilities, specific quality assurance activities, and associated measurement criteria, and helps to ensure that the work produced during the course of system development is sufficient. During our preliminary review, we noted the following observations:</p> <ul style="list-style-type: none"> <li>DHS and DIT did not establish or document a quality assurance plan, independent of the PMO, over the development and implementation of Bridges. Without a quality assurance plan, DHS and DIT cannot ensure that Bridges will meet business and user needs or that development and implementation processes improve as the project continues.</li> </ul>	<p>We believe a number of quality assurance activities have been incorporated into project processes – e.g., configuration management, change control, issue resolution, etc. – but acknowledge these are not well documented and communicated within and outside the project organization.</p> <p>We are currently taking the appropriate steps to put this documentation and methodology in place.</p>
Design, Testing, and Impl Plans	<p>DHS and DIT informed us that quality assurance was incorporated throughout the project and is part of the PMO. DHS and DIT also informed us that quality assurance roles, responsibilities, and tasks were communicated to key PMO staff within their statements of work. However, the statements of work for the PMO consultants do not contain specific quality assurance tasks, and DHS and DIT could not provide us with an understanding of how they are incorporating quality assurance into the PMO.</p> <ul style="list-style-type: none"> <li>At the time of our review, we noted the following observations: <ul style="list-style-type: none"> <li>DCH informed us that the PMO requested DCH to forego certain critical Medicaid-related functionality within Bridges. The PMO provided DCH with a list of critical functions that will either not be ready or will be partially ready at implementation. Some of these functions are mandated by federal Medicaid regulations. Staff may need to perform workarounds in Bridges to process Medicaid cases.</li> </ul> </li> </ul>	<p>Many of the critical functions have now been incorporated into the Pilot design.</p> <p>DCH agreed to allow some critical functions to be delayed until after Pilot, so as not to impede the project schedule. This agreement included an understanding that viable 'workarounds' would be developed prior to Pilot, and the delayed changes would be incorporated in agreed upon waves of implementation.</p> <p>A comprehensive list of business process 'workarounds' and change control designs remain under discussion.</p> <p>DCH continues to monitor system design to</p>

		<p>identify legal or regulatory concerns, to be certain that these concerns are addressed at the time the system is fully implemented.</p>
	<ul style="list-style-type: none"> <li>• Prior OAG audit reports cite numerous instances where the hardcopy case file was missing required documentation, such as employment and income verification and proof of citizenship. DHS' response to the audit reports indicated that Bridges would provide a solution for some documentation issues such as the functionality to maintain correspondence history, case change history, and audit trails. In addition, in June 2007, DHS informed the House Appropriations Subcommittee on Human Services that Bridges would address some case file documentation issues. However, DHS did not include an electronic document management process in Bridges to help resolve the case file documentation issues. DHS staff will still need to maintain some documentation within the hardcopy case files. DHS informed us that an electronic document management process will be considered at a later time. Consequently, supporting case file documentation may still be a problem.</li> </ul>	<p>(F-2) The DHS representative believed that this solution was possible at the time he testified. He did not have detailed information to make that statement. DHS made a conscience decision not to include a document management solution in the Bridges application. However, the Bridges application will reduce the necessity to print documents for filing purposes.</p> <p>The post Bridges paper case files are estimated to be approximately 25% of their current size. The majority of the paper currently stored is comprised of copies of notices to the client and screen prints because the current systems do not provide either adequate history or audit trails. Bridges will provide the correspondence history, change history, and audit trail online so the majority of the paper case file problems are handled with Release 1 of Bridges.</p>
	<ul style="list-style-type: none"> <li>• The U.S. Department of Health and Human Services (HHS) indicated to DHS that the Bridges project timeline is overly ambitious for the amount of effort the project would require. DHS informed us that it expects detailed planning, developing, testing, and implementation of releases 2 and 3 to take approximately one year each. However, we concur with DHHS that the project timeline is overly ambitious.</li> </ul>	<p>This is a very large system implementation. Nationally, these systems typically take 48 months. We are in month 24.</p> <p>We agree with the feds and the OAG in the fact the schedule is overly aggressive. It was overly aggressive for the following reasons:</p> <ol style="list-style-type: none"> <li>1. Caseworker relief of DHS staff.</li> <li>2. Programmatic penalties due to unacceptable error rates in programs such as FAP</li> <li>3. Support and costs of Legacy systems.</li> </ol> <p>Have experienced delays for the following reasons:</p> <ol style="list-style-type: none"> <li>1. We had to stabilize legacy systems to ensure payments to DHS customers</li> </ol>

		<p>2. Unanticipated/unplanned state and federal legislative mandates, i.e., family self service programs (JET) and 2007 budget reduction act.</p> <p>3. Resource constraints</p> <p>4. To reduce risk to the legacy payment systems strategy was changed to expand the scope of Release 1.</p> <p>We are targeting a window between June and August to deploy the pilot in Barry-Eaton Counties and Calhoun County Offices. However, conditions to meet dates:</p> <ol style="list-style-type: none"> <li>1. No new legislative mandates that impact Legacy systems or the Bridges pilot.</li> <li>2. No new DHS, DCH, DLEG policies that affect the application</li> <li>3. Agency and other partners hit their targets</li> <li>4. Other "Go-Live" criteria is met</li> </ol> <p>Additional monetary resources may be needed. We are evaluating the needs and we will report back within a month. Looking at changes that may be needed for pilot and subsequent waves.</p> <p>See attached letter from Ollice Holden, Regional Administrator USDA.</p>
	<ul style="list-style-type: none"> <li>• DHS and DIT were conducting final user acceptance testing for Bridges Release 1. However, user acceptance test plans were in draft format, had not been approved by the Executive Leadership Team, and did not match system design requirements. DHS and DIT informed us that they overlapped the development of test plans and the conducting of testing to ensure project continuity. By beginning system testing before developing test plans, DHS and DIT may not discover all system and programming errors. Before implementing Bridges, DHS and DIT should complete detailed user acceptance test plans and obtain approval from Executive Leadership Team to ensure system requirements, DHS policy, and State and federal regulations are sufficiently incorporated into Bridges and tested. DHS and DIT should re-evaluate development and implementation schedules and</li> </ul>	<p>At the time of the analysis, this was an issue that has since been resolved.</p> <p>DHS, DCH and DIT have completed detailed user acceptance test plans and obtained approval from the Executive Leadership Team to ensure system requirements, DHS policy, and State and federal regulations are sufficiently incorporated into Bridges and tested.</p>

	revises, if necessary, the time needed to complete and implement test plans.	
	<ul style="list-style-type: none"> <li>DCH informed us that DHS and DIT had not provided DCH with adequate test files from the user acceptance test environment. As a result, DCH was concerned it would not have adequate time to test the interface between Bridges and the Medicaid Management Information System (MMIS) prior to implementation of Bridges. Testing by DCH is important to ensure the MMIS interface is working properly. As of August 8, 2007, none of the 179 test cases had passed user acceptance testing.</li> </ul>	<p>This has been an challengee since the start of this project due to competing demands for the same staff resources that are needed for both BRIDGES and CHAMPS.</p> <p>DHS, DCH and DIT leadership meet weekly to mitigate issues.</p>
	<ul style="list-style-type: none"> <li>DHS and DIT anticipate, as stated in the Bridges development and implementation contract, that client benefit amounts determined by the current eligibility systems will not equal benefit amounts calculated by Bridges. The development and implementation contract states that DHS plans to use current system benefit amounts after the Bridges conversion until the next action on a case is required rather than determine the correct benefit amount. DHS and DIT should include, as part of their conversion and implementation tasks, a process to identify discrepancies between the current benefit amount and the Bridges-calculated benefit amount resulting from Bridges computation problems or pre-existing case problems.</li> </ul>	<p>We are now able to identify the discrepancies between the current benefit amount and the Bridges computation.</p> <p>A communication plan is being developed to ensure DHS clients and staff are aware of potential increases/reductions in benefit amounts once Bridges is in production.</p>
	<ul style="list-style-type: none"> <li>The PMO had not developed complete implementation plans and had not determined the acceptable number and type of user acceptance testing deficiencies allowable for implementation. Without complete implementation plans, DHS and DIT may implement Bridges before deficiencies are corrected. After our preliminary review, DHS and DIT informed us that they have an approved agreement between DHS, DIT and the development and implementation vendor identifying the types and numbers of defects acceptable for implementation.</li> </ul>	<p>Go live criteria has been developed and agreed to by Deloitte, EDS, DHS, DCH and MDIT.</p> <p>Daily and weekly meetings are conducted to ensure that all the tasks are successfully completed and issues resolved before all parties agree to put the application into pilot.</p>
<b>Bridges Consultant Contracts</b>	DHS and DIT contracted with 7 consultants to function as the Bridges PMO along with Executive Leadership Team and State staff. The role of the PMO is to direct the day to day activities of the Bridges project and to coordinate development and implementation activities to ensure successful implementation of Bridges. The PMO is primarily managed by one consultant, in conjunction with the Executive Leadership Team. We reviewed 11 contracts for 7 consultants and made the following observations.	N/A

	<ul style="list-style-type: none"> <li>○ Certain PMO consultants appeared to have had competitive advantage in the hiring process. We noted that certain consultants worked under personal service purchase orders totaling \$73,880 before the contracts were bid and were subsequently awarded the contracts. These consultants' contracts, including purchase orders, totaled \$2.9 million.</li> </ul>	<p>The PMO consultants were hired using acceptable contract venues. Changes in purchasing programs have occurred in the past few years and MDIT will follow those guidelines for future contracts.</p> <p>Individuals that have worked on systems similar in nature may be given more consideration during the bid process.</p> <p>At the time of this document's creation, the project was in its infancy and these individuals where used on a temporary basis to get the strategy and plans developed (project charter, federal planning APD, state and federal funding, framework...) and the effort underway. This document was not intended to imply that the named contractors were the permanent individuals for these roles.</p>
	<ul style="list-style-type: none"> <li>○ Certain PMO consultants were listed in the Bridges project charter, dated September 22, 2004, as key individuals. However, the contracts for these consultants were not bid or awarded until November 2004 and July 2005. The inclusion of these individuals in the project documents prior to awarding the contracts gives the appearance of competitive advantage.</li> </ul>	<p>The DMB Act was followed. All consultant and Bridges contracts were approved by the Administrative Board and all DMB procurement policies that were in place at the time were followed.</p> <p>Background: In 2004 Purchasing Operations had programs for purchasing IT goods and services in place that included the use of 2 prequalified programs, a full blown RFP, and the ability to award contracts where it was in the best interest of the state. In the case of the consultants in question hired during this time period, 6 of the 7 consultants were granted contracts using the prequalified program called Start (Short Term Augmentation of Resources for Technology), which was designated for procurements that were less than a year in duration and under \$250,000.00. The other consultant was hired as a result of being placed on the critical continuity list that was developed.</p>
	<ul style="list-style-type: none"> <li>○ DHS and DIT inappropriately used a limited 1 year term START contract process. START is a pre-registration program for quick turnaround bids for IT services of less than \$250,000 with duration of less than 1 year. DHS and DIT used the START process even though Bridges development was expected to last longer than a year. Additionally, DHS and DIT modified contract terms of 5 consultants in order to adhere to the START contract limits.</li> </ul>	<p>The Start program was chosen as a means to purchase these resources as Purchasing Operations was informed that these positions were for planning purposes and their duties would be completed within the year. In 2005, subsequent to and separate from Bridges, DMB and DIT conducted a statewide "Rate</p>

		<p>Reduction &amp; Critical Project Continuity" effort. This effort concluded with changes to the START program to extend the duration to 3 years. The Bridges PMO contracts and others information technology contracts were then extended.</p> <p>As required by law the requests for amendments were presented to the State's Administrative Board for approval which was granted in May of 2005.</p>
	<ul style="list-style-type: none"> <li>o DHS and DIT did not competitively bid one PMO contract. As a result, DHS may not have obtained the best price for services and the most qualified consultant. This contract totaled \$717,616.</li> </ul>	<p>While it is true that this contract was not bid, the rates, experience and educational background that this individual had were comparable to the other individuals that were of the same job description that were hired through the START program.</p> <p>There are two processes that the OAG references in their letter.</p> <p>1) In relation to the vendor contracts, such as the contract with Deloitte, the OAG pointed out that we do not have site visit and buyer notes within the file. The OAG did not understand that we do not normally keep the notes they referenced. This includes the PCO vendor file (EDS) and the main implementation vendor file (Deloitte). This information is included in the final bid synopsis document. This bid synopsis was available for OAG review.</p> <p>2) The OAG referenced missing information related to the START consultants. All of the files related to consultants, who were hired through the START process, have been located since the OAG inquiry. DMB acknowledges that we did not have documentation transmitted by DHS for one consultant's file at the time of the inquiry.</p>
	<ul style="list-style-type: none"> <li>o DHS and DIT, in conjunction with the Department of Management and Budget (DMB), did not maintain adequate contract documentation. The names of bid evaluators, consultant scores, and review notes were missing from the consultant contract files.</li> </ul>	<p>As a result of our own internal review and an OAG audit, DMB has instituted a comprehensive process to produce and maintain complete contract files and file integrity; this process includes ongoing internal audits of procurement files.</p>

	<ul style="list-style-type: none"> <li>DHS and DIT did not modify the statements of work when 3 of 4 consultant contracts were extended. DHS and DIT extended 4 of the 1 year START contracts a total of 144 months for \$2.8 million, but did not add additional tasks and deliverables expected to be performed by 3 of the 4 consultants.</li> </ul>	<p>We agree the statements of work were not updated to reflect some additional tasks. New statements of work will be submitted when the contracts are rebid.</p>
	<ul style="list-style-type: none"> <li>One PMO consultant did not meet the educational requirements stated in the contract. The contract requirements specified that the candidate must possess either a bachelor's degree with 21 semester credit hours or an associate's degree with 16 semester credit hours in an information technology related major. Although the candidate was given full credit in the contract scoring process for having met the educational requirements, we were not provided with any evidence that the consultant possessed the required degree. However, the consultant had previous work experience in the information technology field. DIT maintains that the consultant's mathematics degree is equivalent to an information technology related major. In total, DHS has paid the consultant approximately \$774,000 for the period November 2, 2004 through June 1, 2007.</li> </ul>	<p>Math is considered an information technology-related major.</p>
	<ul style="list-style-type: none"> <li>DHS and DIT did not require certain contract terms for all 11 consultant contracts. The consultant contracts did not require: the submission of timesheets or invoices for payment; the denial of payment for unsatisfactory contract services; and the completion of contract tasks and deliverables prior to payment. Further the contracts did not contain liquidated damage provisions; final acceptance criteria; and provisions allowing the State to audit the consultant's accounting records to ensure the consultants complied with contract requirements.</li> </ul> <p>The National State Auditors Association recommends that contracts specifically include these terms. In addition, the DMB Administrative Guide policy 0610 states that executive branch departments shall manage their contracts in a manner that is fiscally responsible and assure that vendors meet contractual obligations.</p> <p>Subsequent to our review, DHS and DIT informed us that the consultant contracts followed DMB's template for contract terms for time and materials contracts. DHS and DIT also informed us that it has a process to receive and reconcile</p>	<p>These "Time and Materials" contracts have hourly rates and are not amenable to fixed price contracts with specific deliverables with timeframes, completion dates and acceptance criteria as outlined in the DMB document describing "Fixed Price" and "Time &amp; Materials" contracts.</p> <p>Timesheets are submitted using the state's time tracking system and are reconciled to each invoice on a monthly basis prior to payment of every invoice for these types of contracts by state staff. No invoice has been paid without the submittal of time sheets and a subsequent reconciliation.</p>

	contractor invoices and that they would withhold contractor payment for unsatisfactory performance. However, contract terms did not allow the withholding of contractor payment for unsatisfactory performance. DHS and DIT further informed us that the contracts include a cancellation clause.	
<b>Vendor Contracts</b>	DHS, DCH, and DIT contracted with EDS to run the Bridges project control office. The Bridges project control office develops, monitors, and manages the project schedule and scope for the development and implementation of deliverables. DHS, DCH, and DIT contracted with Deloitte Consulting LLP for the development and implementation of Bridges. We made the following observations: <ul style="list-style-type: none"> <li>DHS, DCH, and DIT's contract for development and implementation did not require the completion of all deliverables as a condition for payment. We identified 69 of 96 contract deliverables that were not required to be completed for payment. For example, deliverables for transition of knowledge to DIT staff and help desk guides are not a condition for payment. The Bridges development and implementation contract was awarded in February 2006 for a total of \$70.0 million.</li> <li>DHS and DIT, in conjunction with DMB, did not maintain adequate contract documentation. The vendor contract files were missing state site visit notes and had incomplete vendor proposal scores and review notes.</li> </ul>	N/A
	<p>We disagree that contract deliverables were not required to be completed for payment because the contract payment approach and schedule were approved by the federal agency overseeing Bridges.</p> <p>Many of the deliverables are dependent upon prior milestones being completed. DHS and DIT picked the deliverable at the "end of the chain" as the paypoint.</p> <p>There are two processes that the OAG references in their letter:</p> <p>1) In relation to the vendor contracts, such as the contract with Deloitte, the OAG pointed out that we do not have site visit and buyer notes within the file. The OAG did not understand that we do not normally keep the notes they referenced. This includes the PCO vendor file (EDS) and the main implementation vendor file (Deloitte). This information is included in the final bid synopsis document. This bid synopsis was available for OAG review.</p> <p>2) The OAG referenced missing information related to the START consultants. All of the files related to consultants, who were hired through the START process, have been located since the OAG inquiry. DMB acknowledges that we did not have documentation transmitted by DHS for one consultant's file at the time of the inquiry.</p> <p>As a result of our own internal review and an OAG</p>	

		audit, DMB has instituted a comprehensive process to produce and maintain complete contract files and file integrity. this process includes ongoing internal audits of procurement files.
<b>Legislative Reporting</b>	Act 345, P.A. 2006, requires DHS to submit a report on the status of the its information technology improvement initiatives, including the Bridges project, to the House and Senate Appropriations Subcommittees by February 1, 2007. DHS is required to submit a copy of the report to the House and Senate Fiscal Agencies, the House and Senate Policy Offices, and the State Budget Director by the same date. The report should include the amounts expended during the previous fiscal year and the first quarter of the current fiscal year by project, the amounts of appropriations carried forward from previous fiscal years for information technology improvement projects, and a narrative describing the projects and activities undertaken during the previous fiscal year and during the first quarter of the current fiscal year.	
<b>Bridges Contract / Rollout Schedules</b>	DHS did not provide the status report to the Legislature by February 1, 2007. DHS informed us that it did not submit the status report because of an oversight. After we brought this to DHS' attention, DHS provided the report to the Legislature. However, the report did not include narrative describing the projects and activities undertaken during the previous fiscal year and during the first quarter of the current fiscal year.  Chart depicting timing of events.	NA
<b>Contract Summary</b>	Summary of contracts for PMO consultants, EDS PCO, and Deloitte Development & Implementation.	NA

## 5 Questions

### 1. Is there enough funding for Bridges?

Additional monetary resources may be needed. We are evaluating the needs and looking at changes that may be needed by pilot and subsequent waves. Will report back by 3/12/08

### 2. What's the new schedule, new timelines

We are targeting a window between June and August to deploy the pilot in Barry-Eaton and Calhoun County Offices. Conditions to meet dates:

- a. No new legislative mandates that affect Legacy systems and Bridges
- b. No new DHS, DCH, DLEG policies that affect the application
- c. Agency and other partners hit their targets
- d. Other "Go-Live" criteria is met
- e. Additional monetary resources may be needed. We are evaluating the needs and looking at changes that may be needed by pilot and subsequent waves. Will report back by 3/12/08

### 3. Further proof that state law was adhered to when it comes to purchasing and contractors

The DMB Act was followed. All consultant and Bridges contracts were approved by the Administrative Board and all DMB procurement policies that were in place at the time were followed.

Background: In 2004 Purchasing Operations had programs for purchasing IT goods and services in place that included the use of 2 prequalified programs, a full blown RFP, and the ability to award contracts where it was in the best interest of the state. In the case of the consultants in question hired during this time period, 6 of the 7 consultants were granted contracts using the prequalified program called Start (Short Term Augmentation of Resources for Technology), which was designated for procurements that were less than a year in duration and under \$250,000.00. The other consultant was hired as a result of being placed on the critical continuity list that was developed.

The Start program was chosen as a means to purchase these resources as Purchasing Operations was informed that these positions were for planning purposes and their duties would be completed within the year. In 2005, subsequent to and separate from Bridges, DMB and DIT conducted a statewide "Rate Reduction & Critical Project Continuity" effort. This effort concluded with

changes to the START program to extend the duration to 3 years. The Bridges PMO contracts and others information technology contracts were then extended.

As required by law the requests for amendments were presented to the State's Administrative Board for approval which was granted in May of 2005.

**4. Information on any potential cost overruns**

See questions 1 & 2

**5. More clearly defined goals for Bridges**

The Cost Benefit Analysis (CBA) as submitted and approved by the federal government contains very specific, quantifiable results (i.e., benefits) to be obtained. They address three areas: increased worker productivity, decreased operational costs (for IT systems), and decreased financial penalties for error (i.e., misissuance) rates.

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#### **5. More clearly defined goals for Bridges**

- The Cost Benefit Analysis (CBA) as submitted and approved by the federal government contains very specific, quantifiable results (i.e., benefits) to be obtained.
  - They address four areas:
    - Increased worker productivity
    - Modification and routine maintenance will be much more cost effective and timely
    - Decreased financial penalties for error rates (i.e., misissuance).
    - Eliminates high cost error prone manual activity and calculations.
- In addition the current systems used to determine eligibility are over 25 years old and using unsupported technology. It is critical that the business functions processed by these computer applications are migrated to a system that will be sustainable for the next 10 years.